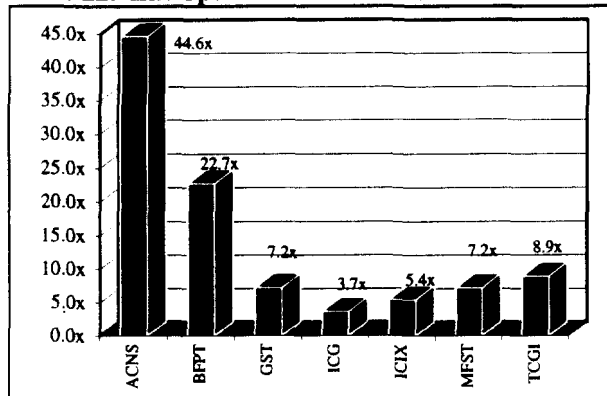




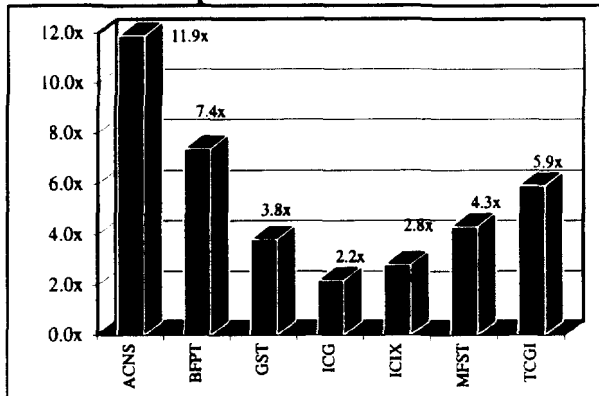
TCG appears somewhat expensive, trading at 8.9x 1996E revenue and 5.9x 1997E revenue. However, this is another scenario in which TCG's local service focus artificially handicaps it versus the other players, which have long distance and network systems integration revenue streams. At this point it is probably worth addressing why we believe that TCG is smart not to have any long distance revenue. We believe that TCG is better served by concentrating on being a local service provider, because the provision of long distance would lead it to compete with the IXCs that are some of its best customers. In the long run, we expect that TCG will benefit from its pure local service focus, which will keep it in the running for significant streams of major carrier local revenue, which should carry margins well in excess of long distance revenue.

**Table 22. Enterprise Value/1996E Revenue**



Source: Deutsche Morgan Grenfell/C. J. Lawrence Inc.

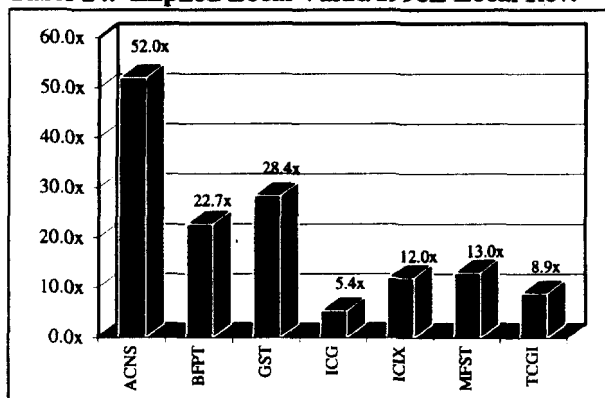
**Table 23. Enterprise Value/1997E Revenue**



Source: Deutsche Morgan Grenfell/C. J. Lawrence Inc.

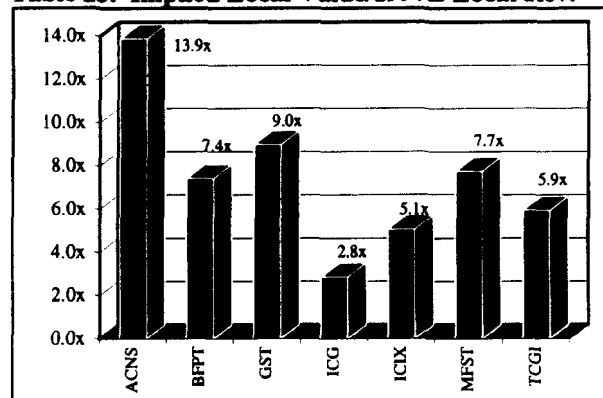
**TCG Should Command A Premium As A Local Service Pure Play.** In order to properly analyze TCG as a local service pure play relative to its peers, we have applied a value to each of the CLECs' non-local service lines of business and removed them from the equation. We determined the value of the non-local revenue streams by applying a 2.0x multiple to long distance revenue, a 3.0x multiple for data revenue, and a 1.5x multiple for systems integration revenue. By backing out the value of the non-local service line of business, we can determine the implied value of the local service business relative to each company's local revenue stream. With the highest concentration of local revenue, which is inherently more valuable than any of the long distance or data revenue that other carriers have, it would make sense for TCG to command a premium to its peers. However, as evidenced by Tables 24 and 25, TCG trades at a discount to its peer group in terms of its multiple of local revenue. In this case, TCG trades at only 8.9x 1996 local revenue versus 13.0x for MFS. TCG trades at only 5.9x 1997E local revenue versus 7.7x for MFS. We strongly believe that TCG is an undervalued asset that offers investors a unique opportunity to capitalize on the strong underlying fundamentals of the local telecom industry and the emerging growth aspects of the competitive local service segment.

**Table 24. Implied Local Value/1996E Local Rev.**



Source: Deutsche Morgan Grenfell/C. J. Lawrence Inc.

**Table 25. Implied Local Value/1997E Local Rev.**



Source: Deutsche Morgan Grenfell/C. J. Lawrence Inc.

August 9, 1996

Teleport Communications Group

Deutsche Morgan Grenfell  
C. J. Lawrence Inc.



## APPENDIX

## Teleport Communications Group

Deutsche Morgan Grenfell/C. J. Lawrence Inc.

Quarterly Financial Model (\$ in millions except per share amounts)

	1Q95A	2Q95A	3Q95A	4Q95A	1995A	1Q96A	2Q96A	3Q96E	4Q96E	1996E	1997E	1998E	1999E	2000E
<b>Revenue</b>														
Dedicated Services	26.2	29.0	31.0	34.9	121.1	35.8	39.1	42.7	46.6	164.2	226.9	328.0	473.3	608.1
Switched Services	13.5	14.3	16.5	19.5	63.7	22.3	26.0	29.8	34.2	112.4	185.6	290.8	454.7	658.7
<b>Total Revenue</b>	<b>39.7</b>	<b>43.2</b>	<b>47.6</b>	<b>54.4</b>	<b>184.9</b>	<b>58.1</b>	<b>65.1</b>	<b>72.5</b>	<b>80.8</b>	<b>276.5</b>	<b>412.5</b>	<b>618.8</b>	<b>928.0</b>	<b>1,266.8</b>
<b>Operating Expenses</b>														
Operating Expenses	24.7	26.6	31.2	31.1	113.6	36.5	40.6	44.2	49.3	170.6	247.5	340.3	464.0	620.7
SG&A Expenses	16.7	16.4	16.4	16.6	66.1	20.7	22.1	26.1	29.1	98.0	151.4	204.2	287.7	380.0
<b>Total Operating Expenses</b>	<b>41.4</b>	<b>43.0</b>	<b>47.6</b>	<b>52.2</b>	<b>184.3</b>	<b>57.2</b>	<b>62.7</b>	<b>70.3</b>	<b>78.4</b>	<b>268.6</b>	<b>398.9</b>	<b>544.5</b>	<b>751.7</b>	<b>1,000.7</b>
<b>EBITDA</b>	<b>(1.7)</b>	<b>0.2</b>	<b>(0.0)</b>	<b>2.1</b>	<b>0.6</b>	<b>0.9</b>	<b>2.4</b>	<b>2.2</b>	<b>2.4</b>	<b>7.9</b>	<b>13.6</b>	<b>74.3</b>	<b>176.3</b>	<b>266.0</b>
Depreciation & Amortization	11.5	13.2	14.5	22.3	61.4	21.6	22.6	23.5	24.6	92.3	129.9	172.0	218.4	267.2
<b>Operating Income</b>	<b>(13.2)</b>	<b>(13.0)</b>	<b>(14.5)</b>	<b>(20.1)</b>	<b>(60.8)</b>	<b>(20.6)</b>	<b>(20.2)</b>	<b>(21.3)</b>	<b>(22.2)</b>	<b>(84.3)</b>	<b>(116.3)</b>	<b>(97.7)</b>	<b>(42.1)</b>	<b>(1.2)</b>
Interest Expense (Income)	4.0	5.4	5.8	7.2	22.3	7.0	4.8	18.0	20.1	49.9	99.2	113.4	131.4	153.9
Minority Interest	6.9	7.5	7.6	9.3	31.2	0.86	1.00	0.95	0.95	3.8	3.8	3.8	3.8	3.8
Equity In Loss Of Affiliates	0.5	0.3	0.3	0.3	1.4	0.3	0.3	0.3	0.3	1.3	(1.3)	(1.3)	(1.3)	(1.3)
<b>Pre-tax income/(loss)</b>	<b>(10.7)</b>	<b>(11.3)</b>	<b>(13.0)</b>	<b>(18.3)</b>	<b>(53.4)</b>	<b>(27.1)</b>	<b>(24.3)</b>	<b>(38.7)</b>	<b>(41.7)</b>	<b>(131.7)</b>	<b>(213.2)</b>	<b>(208.7)</b>	<b>(171.1)</b>	<b>(152.8)</b>
Income Tax Benefit (Expense)	0.3	0.0	0.0	0.0	0.4	0.2	0.6	0.2	0.2	1.2	0.0	0.0	0.0	0.0
<b>Net Income (Loss)</b>	<b>(11.1)</b>	<b>(11.3)</b>	<b>(13.1)</b>	<b>(18.3)</b>	<b>(53.8)</b>	<b>(27.3)</b>	<b>(24.9)</b>	<b>(38.9)</b>	<b>(41.9)</b>	<b>(133.0)</b>	<b>(213.2)</b>	<b>(208.7)</b>	<b>(171.1)</b>	<b>(152.8)</b>
<b>Earning Per Share</b>														
Reported Earnings Per Share	\$ (0.07)	\$ (0.07)	\$ (0.08)	\$ (0.12)	\$ (0.34)	\$ (0.17)	\$ (0.16)	\$ (0.24)	\$ (0.26)	\$ (0.84)	\$ (1.32)	\$ (1.26)	\$ (1.01)	\$ (0.89)
Recurring Earnings Per Share	\$ (0.07)	\$ (0.07)	\$ (0.08)	\$ (0.12)	\$ (0.34)	\$ (0.17)	\$ (0.16)	\$ (0.24)	\$ (0.26)	\$ (0.84)	\$ (1.32)	\$ (1.26)	\$ (1.01)	\$ (0.89)
<b>Primary Shares Outstanding</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>158.9</b>	<b>162.1</b>	<b>165.3</b>	<b>168.6</b>	<b>172.0</b>

## Year-Year % Growth Analysis

Revenue Growth	53.2%	51.5%	50.8%	50.1%	51.3%	46.4%	50.6%	52.4%	48.7%	49.6%	49.2%	50.0%	50.0%	36.5%
EBITDA Growth	-62%	-106%	-97%	-145%	-104%	-157%	1163%	-5977%	13%	1164%	71.8%	445.5%	137.5%	50.9%
Operating Income Growth	27.9%	26.6%	64.6%	43.2%	40.0%	56.5%	55.1%	46.8%	10.1%	39.2%	37.9%	-16.0%	-56.9%	-97.1%

## Margin Analysis

Gross Margin	37.8%	38.5%	34.4%	42.8%	38.5%	37.2%	37.6%	39.0%	39.0%	38.3%	40.0%	45.0%	50.0%	51.0%
EBITDA Margin	-4.3%	0.4%	-0.1%	3.9%	0.3%	1.6%	3.7%	3.0%	3.0%	2.9%	3.3%	12.0%	19.0%	21.0%
Operating Margin	-33.1%	-30.1%	-30.5%	-37.0%	-32.9%	-35.5%	-31.0%	-29.4%	-27.4%	-30.5%	-28.2%	-15.8%	-4.5%	-0.1%
Net Margin	-27.8%	-26.1%	-27.5%	-33.7%	-29.1%	-47.0%	-38.2%	-53.7%	-51.8%	-48.1%	-51.7%	-33.7%	-18.4%	-12.1%

## Per Share Data

Revenue	\$ 0.25	\$ 0.27	\$ 0.30	\$ 0.34	\$ 1.16	\$ 0.37	\$ 0.41	\$ 0.46	\$ 0.51	\$ 1.74	\$ 2.55	\$ 3.74	\$ 5.50	\$ 7.37
EBITDA	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.08	\$ 0.45	\$ 1.05	\$ 1.55
Operating Income	\$ (0.08)	\$ (0.08)	\$ (0.09)	\$ (0.13)	\$ (0.38)	\$ (0.13)	\$ (0.13)	\$ (0.13)	\$ (0.14)	\$ (0.53)	\$ (0.72)	\$ (0.59)	\$ (0.25)	\$ (0.01)
Net Income	\$ (0.07)	\$ (0.07)	\$ (0.08)	\$ (0.12)	\$ (0.34)	\$ (0.17)	\$ (0.16)	\$ (0.24)	\$ (0.26)	\$ (0.84)	\$ (1.32)	\$ (1.26)	\$ (1.01)	\$ (0.89)

## Teleport Communications Group

Deutsche Morgan Grenfell/C. J. Lawrence Inc.

Annual Financial Model (\$ in millions except per share amounts)

	1995A	1996E	1997E	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E
<b>Revenue</b>											
Dedicated Services	121.1	164.2	226.9	328.0	473.3	608.1	781.4	932.2	1,124.3	1,303.0	1,423.8
Switched Services	63.7	112.4	185.6	290.8	454.7	658.7	881.2	1,162.7	1,460.3	1,816.4	2,162.8
<b>Total Revenue</b>	<b>\$184.9</b>	<b>\$276.5</b>	<b>\$412.5</b>	<b>\$618.8</b>	<b>\$928.0</b>	<b>\$1,266.8</b>	<b>\$1,662.6</b>	<b>\$2,094.9</b>	<b>\$2,584.6</b>	<b>\$3,120.9</b>	<b>\$3,604.7</b>
<b>Operating Expenses</b>											
Operating expenses	113.6	170.6	247.5	340.3	464.0	620.7	781.4	942.7	1,111.4	1,310.8	1,477.9
SG&A expenses	66.1	98.0	151.4	204.2	287.7	380.0	465.5	565.6	672.0	780.2	865.1
<b>Total Operating Expenses</b>	<b>184.3</b>	<b>268.6</b>	<b>398.9</b>	<b>544.5</b>	<b>751.7</b>	<b>1,000.7</b>	<b>1,247.0</b>	<b>1,508.3</b>	<b>1,783.4</b>	<b>2,091.0</b>	<b>2,343.0</b>
<b>EBITDA</b>	<b>\$0.6</b>	<b>\$7.9</b>	<b>\$13.6</b>	<b>\$74.3</b>	<b>\$176.3</b>	<b>\$266.0</b>	<b>\$415.7</b>	<b>\$586.6</b>	<b>\$801.2</b>	<b>\$1,029.9</b>	<b>\$1,261.6</b>
<b>Other Expenses</b>				0.28	0.23	0.21	0.19	0.18	0.17	0.16	0.15
Depreciation	60.0	91.5	129.2	171.3	217.7	266.5	320.3	376.5	435.3	495.3	555.3
Amortization	1.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Operating Income</b>	<b>(60.8)</b>	<b>(84.7)</b>	<b>(116.3)</b>	<b>(97.7)</b>	<b>(42.1)</b>	<b>(1.2)</b>	<b>94.7</b>	<b>209.3</b>	<b>365.3</b>	<b>533.9</b>	<b>705.7</b>
Total interest expense, net	22.3	53.6	99.2	113.4	131.4	153.9	192.4	227.9	239.1	235.7	215.2
Income/(loss) before minorities	(83.2)	(138.3)	(215.6)	(211.1)	(173.5)	(155.1)	(97.7)	(18.6)	126.1	298.2	490.5
Minorities	31.2	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Equity in income	(1.4)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
<b>Pre-tax income/(loss)</b>	<b>(53.4)</b>	<b>(131.7)</b>	<b>(213.2)</b>	<b>(208.7)</b>	<b>(171.1)</b>	<b>(152.8)</b>	<b>(95.3)</b>	<b>(16.2)</b>	<b>128.5</b>	<b>300.6</b>	<b>492.8</b>
Income Tax Expense (Benefit)	(0.4)	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income (Loss)</b>	<b>(53.8)</b>	<b>(133.0)</b>	<b>(213.2)</b>	<b>(208.7)</b>	<b>(171.1)</b>	<b>(152.8)</b>	<b>(95.3)</b>	<b>(16.2)</b>	<b>128.5</b>	<b>300.6</b>	<b>492.8</b>
Shares Outstanding	158.9	158.9	162.1	165.3	168.6	172.0	175.4	178.9	182.5	186.2	189.9
<b>Earnings Per Share</b>	<b>(\$0.34)</b>	<b>(\$0.84)</b>	<b>(\$1.32)</b>	<b>(\$1.26)</b>	<b>(\$1.01)</b>	<b>(\$0.89)</b>	<b>(\$0.54)</b>	<b>(\$0.09)</b>	<b>\$0.70</b>	<b>\$1.61</b>	<b>\$2.60</b>

## Year-Year % Growth Analysis

Revenue Growth	53.2%	49.6%	49.2%	50.0%	50.0%	36.5%	31.3%	26.0%	23.4%	20.8%	15.5%
EBITDA Growth	-85.6%	1164.3%	71.8%	445.5%	137.5%	50.9%	56.3%	41.1%	36.6%	28.5%	22.5%
Operating Income Growth	284.6%	39.3%	37.3%	-16.0%	-56.9%	-97.1%	-7944.9%	121.1%	74.5%	46.2%	32.2%

## Margin Analysis

Gross Margin	38.5%	38.3%	40.0%	45.0%	50.0%	51.0%	53.0%	55.0%	57.0%	58.0%	59.0%
EBITDA Margin	0.3%	2.9%	3.3%	12.0%	19.0%	21.0%	25.0%	28.0%	31.0%	33.0%	35.0%
Operating Margin	-32.9%	-30.8%	-28.2%	-15.8%	-4.5%	-0.1%	5.7%	10.0%	14.1%	17.1%	19.6%
Net Margin	-29.1%	-48.1%	-51.7%	-33.7%	-18.4%	-12.1%	-5.7%	-0.8%	5.0%	9.6%	13.7%

## Per Share Data

Revenue	\$1.16	\$1.74	\$2.55	\$3.74	\$5.50	\$7.37	\$9.48	\$11.71	\$14.16	\$16.76	\$18.98
EBITDA	\$0.00	\$0.05	\$0.08	\$0.45	\$1.05	\$1.55	\$2.37	\$3.28	\$4.39	\$5.53	\$6.64
Operating Income	(\$0.38)	(\$0.53)	(\$0.72)	(\$0.59)	(\$0.25)	(\$0.01)	\$0.54	\$1.17	\$2.00	\$2.87	\$3.72
Net Income	(\$0.34)	(\$0.84)	(\$1.32)	(\$1.26)	(\$1.01)	(\$0.89)	(\$0.54)	(\$0.09)	\$0.70	\$1.61	\$2.60

## Teleport Communications Group

## Deutsche Morgan Grenfell/C. J. Lawrence Inc.

Annual Revenue Growth Model (\$ in millions except operating statistics)

	1995A	1996E	1997E	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E
<b>Revenue</b>											
Dedicated Access	121.1	164.3	226.9	324.9	473.3	608.1	748.2	879.9	1,020.9	1,186.0	1,261.6
Switched Access	3.7	8.3	16.5	30.9	46.4	63.3	83.1	104.7	129.2	156.0	180.2
Data Services	0.9	5.5	16.5	37.1	74.2	126.7	199.5	293.3	387.7	468.1	540.7
Local Dialtone	9.2	20.7	41.3	77.4	139.2	221.7	332.5	471.4	646.2	858.3	1,081.4
IntraLATA Toll	49.9	77.7	111.4	148.5	194.9	247.0	299.3	345.7	400.6	452.5	540.7
<b>Total Revenue</b>	<b>184.9</b>	<b>276.5</b>	<b>412.5</b>	<b>618.8</b>	<b>928.0</b>	<b>1,266.8</b>	<b>1,662.7</b>	<b>2,094.9</b>	<b>2,584.6</b>	<b>3,121.0</b>	<b>3,604.7</b>
<b>% Of Revenue Assumptions</b>											
Dedicated Access	65.5%	59.4%	55.0%	52.5%	51.0%	48.0%	45.0%	42.0%	39.5%	38.0%	35.0%
Switched Access	2.0%	3.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Data Services	0.5%	2.0%	4.0%	6.0%	8.0%	10.0%	12.0%	14.0%	15.0%	15.0%	15.0%
Local Dialtone	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%	22.5%	25.0%	27.5%	30.0%
IntraLATA Toll	27.0%	28.1%	27.0%	24.0%	21.0%	19.5%	18.0%	16.5%	15.5%	14.5%	15.0%
<b>Total Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Year-Year Revenue Growth</b>											
Dedicated Access	N/A	35.6%	38.1%	43.2%	45.7%	28.5%	23.0%	17.6%	16.0%	16.2%	6.4%
Switched Access	N/A	124.2%	98.9%	87.5%	50.0%	36.5%	31.3%	26.0%	23.4%	20.8%	15.5%
Data Services	N/A	0.0%	198.3%	125.0%	100.0%	70.6%	57.5%	47.0%	32.2%	20.8%	15.5%
Local Dialtone	N/A	0.0%	98.9%	87.5%	80.0%	59.3%	50.0%	41.8%	37.1%	32.8%	26.0%
IntraLATA Toll	N/A	0.0%	43.3%	33.3%	31.2%	26.8%	21.2%	15.5%	15.9%	13.0%	19.5%
<b>Total Revenue Growth</b>	<b>N/A</b>	<b>49.6%</b>	<b>49.2%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>36.5%</b>	<b>31.3%</b>	<b>26.0%</b>	<b>23.4%</b>	<b>20.8%</b>	<b>15.5%</b>
<b>Operating Statistics</b>											
Route Miles	5,428	5,928	6,428	6,928	7,428	7,928	8,428	8,928	9,428	9,928	10,428
Fiber Miles	253,285	142,272	154,272	166,272	178,272	190,272	202,272	214,272	226,272	238,272	250,272
Buildings On Net	3,100	3,300	3,800	4,100	4,400	4,700	4,800	4,900	5,000	5,100	5,200
VGE Circuits (millions)	2.9	3.6	5.2	7.3	9.9	12.8	16.0	19.2	22.6	26.0	28.6
Total Markets	48	55	62	69	76	83	90	97	105	105	105
Employees	1,499	1,750	2,000	2,250	3,000	3,250	3,500	3,750	4,000	4,250	4,500
<b>Key Assumptions</b>											
Traffic % On-Net	85.0%	84.0%	83.0%	82.0%	81.0%	80.0%	79.0%	78.0%	77.0%	76.0%	75.0%
Traffic % Off-Net	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	21.0%	22.0%	23.0%	24.0%	25.0%
Capital Expenditures	281.6	365.0	425.0	450.0	475.0	500.0	550.0	575.0	585.0	600.0	615.0

## Teleport Communications Group, Inc.

## Deutsche Morgan Grenfell/C. J. Lawrence Inc.

## Top 150 MSA Local Revenue Market Opportunity (\$ in millions)

MSA Rank	ILEC	MSA Name	1995A	1996E	1997E	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E
1	PAC	Los Angeles, CA	3,348.4	3,492.6	3,644.2	3,803.5	3,970.7	4,146.2	4,325.3	4,512.1	4,707.0	4,910.3	5,122.4
2	NYN	New York, NY	3,142.2	3,277.6	3,419.9	3,569.3	3,726.2	3,890.9	4,059.0	4,234.3	4,417.2	4,608.0	4,807.0
3	AIT	Chicago, IL	2,794.2	2,914.6	3,041.1	3,174.0	3,313.5	3,460.0	3,609.4	3,765.3	3,927.9	4,097.6	4,274.6
4	BEL	Philadelphia, PA	1,825.7	1,904.3	1,987.0	2,073.8	2,165.0	2,260.6	2,358.3	2,460.1	2,566.4	2,677.3	2,792.9
5	BEL	Washington, DC	1,627.3	1,697.4	1,771.1	1,848.5	1,929.8	2,015.1	2,102.1	2,192.9	2,287.6	2,386.4	2,489.5
6	AIT	Detroit, MI	1,571.2	1,638.9	1,710.1	1,784.8	1,863.3	1,945.6	2,029.6	2,117.3	2,208.8	2,304.2	2,403.7
7	SBC	Houston, TX	1,311.7	1,368.2	1,427.6	1,490.0	1,555.5	1,624.3	1,694.4	1,767.6	1,844.0	1,923.6	2,006.7
8	BLS	Atlanta, GA	1,202.9	1,254.7	1,309.2	1,366.4	1,426.5	1,489.5	1,553.8	1,621.0	1,691.0	1,764.0	1,840.2
9	NYN	Boston, MA	1,172.5	1,223.0	1,276.1	1,331.8	1,390.4	1,451.8	1,514.6	1,580.0	1,648.2	1,719.4	1,793.7
10	SBC	Dallas-Fort Worth, TX	1,061.5	1,107.3	1,155.3	1,205.8	1,258.8	1,314.5	1,371.2	1,430.5	1,492.3	1,556.7	1,623.9
11	USW	Minneapolis-St. Paul, MN	981.7	1,024.0	1,068.4	1,115.1	1,164.2	1,215.6	1,268.1	1,322.9	1,380.0	1,439.6	1,501.8
12	PAC	San Diego, CA	967.6	1,009.3	1,053.1	1,099.2	1,147.5	1,198.2	1,250.0	1,303.9	1,360.3	1,419.0	1,480.3
13	PAC	Orange County, CA	936.6	977.0	1,019.4	1,063.9	1,110.7	1,159.8	1,209.9	1,262.1	1,316.6	1,373.5	1,432.8
14	SBC	St. Louis, MO	930.7	970.8	1,012.9	1,057.2	1,103.7	1,152.5	1,202.2	1,254.2	1,308.3	1,364.9	1,423.8
15	BEL	Baltimore, MD	895.5	934.0	974.6	1,017.2	1,061.9	1,108.8	1,156.7	1,206.7	1,258.8	1,313.1	1,369.9
16	USW	Phoenix-Mesa, AZ	891.5	929.9	970.3	1,012.7	1,057.2	1,103.9	1,151.6	1,201.4	1,253.2	1,307.4	1,363.8
17	BEL	Pittsburgh, PA	869.8	907.2	946.6	988.0	1,031.4	1,077.0	1,123.5	1,172.1	1,222.7	1,275.5	1,330.6
18	AIT	Cleveland, OH	811.3	846.3	883.0	921.6	962.1	1,004.6	1,048.0	1,093.3	1,140.5	1,189.8	1,241.2
19	USW	Seattle-Everett, WA	793.8	828.0	863.9	901.7	941.3	982.9	1,025.4	1,069.7	1,115.9	1,164.1	1,214.4
20	BLS	Tampa-St. Petersburg, FL	785.9	819.8	855.4	892.8	932.0	973.2	1,015.2	1,059.1	1,104.8	1,152.5	1,202.3
21	BLS	Miami-Ft. Lauderdale, FL	729.1	760.5	793.5	828.2	864.6	902.8	941.8	982.5	1,024.9	1,069.2	1,115.3
22	USW	Denver-Boulder, CO	649.2	677.2	706.6	737.4	769.9	803.9	838.6	874.8	912.6	952.0	993.1
23	PAC	San Francisco, CA	604.5	630.5	657.9	686.6	716.8	748.5	780.8	814.6	849.7	886.4	924.7
24	SBC	Kansas City, MO	603.8	629.8	657.1	685.8	716.0	747.6	779.9	813.6	848.8	885.4	923.7
25	USW	Portland, OR	603.2	629.2	656.5	685.2	715.3	746.9	779.2	812.8	847.9	884.6	922.8
26	AIT	Cincinnati, OH	574.9	599.6	625.7	653.0	681.7	711.8	742.6	774.6	808.1	843.0	879.4
27	PAC	San Jose, CA	568.9	593.4	619.2	646.2	674.6	704.4	734.9	766.6	799.7	834.3	870.3
28	BEL	Norfolk, VA	560.1	584.3	609.6	636.3	664.3	693.6	723.6	754.8	787.4	821.4	856.9
29	BEL	Newport News, VA	560.1	584.3	609.6	636.3	664.3	693.6	723.6	754.8	787.4	821.4	856.9
30	PAC	Sacramento, CA	535.3	558.3	582.6	608.0	634.8	662.8	691.4	721.3	752.5	785.0	818.9
31	AIT	Milwaukee, WI	534.2	557.2	581.4	606.8	633.5	661.5	690.0	719.8	750.9	783.3	817.2
32	AIT	Indianapolis, IN	529.0	551.8	575.7	600.9	627.3	655.0	683.3	712.8	743.6	775.7	809.2
33	SBC	San Antonio, TX	522.3	544.8	568.4	593.3	619.3	646.7	674.6	703.8	734.2	765.9	799.0
34	AIT	Columbus, OH	517.7	540.0	563.5	588.1	613.9	641.1	668.8	697.6	727.8	759.2	792.0
35	BLS	Orlando, FL	493.3	514.5	536.9	560.3	585.0	610.8	637.2	664.7	693.4	723.4	754.6
36	BLS	New Orleans, LA	479.5	500.1	521.8	544.6	568.6	593.7	619.4	646.1	674.0	703.1	733.5
37	BLS	Charlotte, NC	457.1	476.8	497.5	519.2	542.1	566.0	590.5	616.0	642.6	670.3	699.3
38	NYN	Buffalo, NY	432.7	451.3	470.9	491.5	513.1	535.8	558.9	583.0	608.2	634.5	661.9
39	USW	Salt Lake City, UT	425.4	443.7	463.0	483.2	504.5	526.8	549.5	573.3	598.0	623.9	650.8
40	NYN	Hartford, CT	420.9	439.0	458.1	478.1	499.1	521.2	543.7	567.2	591.7	617.2	643.9
41	NYN	Providence, RI	415.7	433.6	452.4	472.2	493.0	514.7	537.0	560.2	584.4	609.6	635.9
42	BLS	Greensboro, NC	400.4	417.6	435.7	454.8	474.8	495.7	517.2	539.5	562.8	587.1	612.5

## Teleport Communications Group, Inc.

## Deutsche Morgan Grenfell/C. J. Lawrence Inc.

## Top 150 MSA Local Revenue Market Opportunity (\$ in millions)

MSA Rank	ILEC	MSA Name	1995A	1996E	1997E	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E
43	NYN	Rochester, NY	394.2	411.2	429.1	447.8	467.5	488.2	509.3	531.3	554.2	578.1	603.1
44	BLS	Memphis, TN	384.5	401.1	418.5	436.8	456.0	476.1	496.7	518.1	540.5	563.9	588.2
45	BLS	Nashville-Davidson, TN	384.3	400.8	418.2	436.5	455.7	475.8	496.4	517.8	540.2	563.5	587.8
46	PAC	Las Vegas, NV	378.8	395.1	412.3	430.3	449.2	469.1	489.3	510.4	532.5	555.5	579.5
47	SBC	Oklahoma City, OK	363.6	379.3	395.8	413.1	431.2	450.3	469.7	490.0	511.2	533.3	556.3
48	AIT	Grand Rapids, MI	358.9	374.4	390.6	407.7	425.6	444.4	463.6	483.6	504.5	526.3	549.1
49	BLS	Louisville, KY	355.6	370.9	387.0	403.9	421.7	440.3	459.3	479.2	499.9	521.5	544.0
50	AIT	Dayton, OH	355.0	370.3	386.4	403.3	421.0	439.6	458.6	478.4	499.1	520.7	543.2
51	BLS	Jacksonville, FL	354.1	369.3	385.4	402.2	419.9	438.4	457.4	477.1	497.7	519.2	541.7
52	BLS	Palm Beach-Boca Raton, FL	345.3	360.2	375.8	392.3	409.5	427.6	446.1	465.3	485.4	506.4	528.3
53	SBC	Austin, TX	341.7	356.4	371.9	388.2	405.2	423.1	441.4	460.5	480.4	501.1	522.8
54	BLS	Raleigh-Durham, NC	340.2	354.8	370.2	386.4	403.4	421.2	439.4	458.4	478.2	498.9	520.4
55	BEL	Richmond, VA	331.7	346.0	361.1	376.8	393.4	410.8	428.5	447.0	466.3	486.5	507.5
56	NYN	Albany, NY	321.4	335.2	349.8	365.1	381.1	398.0	415.2	433.1	451.8	471.3	491.7
57	GTE	Honolulu, HI	319.2	333.0	347.5	362.6	378.6	395.3	412.4	430.2	448.8	468.2	488.4
58	BLS	Birmingham, AL	317.3	331.0	345.4	360.4	376.3	392.9	409.9	427.6	446.1	465.3	485.4
59	BLS	Greenville-Spartanburg, SC	314.8	328.4	342.7	357.6	373.4	389.9	406.7	424.3	442.6	461.7	481.6
60	PAC	Fresno, CA	308.8	322.1	336.1	350.8	366.2	382.4	398.9	416.1	434.1	452.8	472.4
61	NYN	Bridgeport-Stamford, CT	278.1	290.0	302.6	315.8	329.7	344.3	359.2	374.7	390.9	407.8	425.4
62	NYN	Syracuse, NY	274.3	286.1	298.5	311.5	325.2	339.6	354.3	369.6	385.5	402.2	419.6
63	SBC	Tulsa, OK	270.6	282.3	294.5	307.4	320.9	335.1	349.6	364.7	380.4	396.9	414.0
64	USW	Tucson, AZ	263.2	274.5	286.4	299.0	312.1	325.9	340.0	354.7	370.0	386.0	402.6
65	PAC	Oxnard-Ventura, CA	255.4	266.4	278.0	290.2	302.9	316.3	330.0	344.2	359.1	374.6	390.8
66	AIT	Akron, OH	246.0	256.6	267.7	279.4	291.7	304.6	317.7	331.4	345.8	360.7	376.3
67	USW	Omaha, NE	242.5	253.0	263.9	275.5	287.6	300.3	313.3	326.8	340.9	355.6	371.0
68	SBC	El Paso, TX	237.5	247.7	258.5	269.8	281.6	294.1	306.8	320.0	333.8	348.3	363.3
69	USW	Albuquerque, NM	235.9	246.0	256.7	267.9	279.7	292.1	304.7	317.8	331.6	345.9	360.8
70	USW	Tacoma, WA	233.8	243.9	254.5	265.6	277.2	289.5	302.0	315.1	328.7	342.9	357.7
71	AIT	Toledo, OH	227.2	237.0	247.3	258.1	269.4	281.3	293.5	306.2	319.4	333.2	347.6
72	BEL	Allentown-Bethlehem, PA	225.4	235.1	245.3	256.1	267.3	279.1	291.2	303.8	316.9	330.6	344.8
73	AIT	Gary-East Chicago, IN	225.3	235.0	245.2	255.9	267.1	278.9	291.0	303.6	316.7	330.4	344.6
74	BLS	Knoxville, TN	224.9	234.6	244.8	255.5	266.7	278.5	290.5	303.1	316.2	329.8	344.1
75	BEL	Harrisburg, PA	221.9	231.5	241.5	252.1	263.2	274.8	286.7	299.1	312.0	325.4	339.5
76	PAC	Bakersfield, CA	221.4	230.9	240.9	251.5	262.5	274.1	286.0	298.3	311.2	324.6	338.7
77	AIT	Youngstown-Warren, OH	220.5	230.0	240.0	250.5	261.5	273.1	284.9	297.2	310.0	323.4	337.4
78	NYN	Springfield, MA	215.8	225.1	234.8	245.1	255.9	267.2	278.7	290.8	303.3	316.4	330.1
79	BLS	Baton Rouge, LA	200.8	209.5	218.6	228.1	238.2	248.7	259.4	270.6	282.3	294.5	307.2
80	BLS	Charleston, SC	197.1	205.6	214.5	223.9	233.8	244.1	254.6	265.6	277.1	289.1	301.6
81	BEL	Wilmington, DE	196.8	205.2	214.1	223.5	233.3	243.6	254.2	265.1	276.6	288.5	301.0
82	SBC	Little Rock, AR	196.2	204.7	213.5	222.9	232.7	243.0	253.5	264.4	275.8	287.7	300.2
83	NYN	New Haven, CT	192.3	200.6	209.3	218.5	228.1	238.1	248.4	259.1	270.3	282.0	294.2
84	PAC	Stockton, CA	189.2	197.3	205.9	214.9	224.3	234.3	244.4	254.9	265.9	277.4	289.4

## Teleport Communications Group, Inc.

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## Top 150 MSA Local Revenue Market Opportunity (\$ in millions)

MSA Rank	ILEC	MSA Name	1995A	1996E	1997E	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E
85	BLS	Mobile, AL	183.0	190.9	199.2	207.9	217.0	226.6	236.4	246.6	257.3	268.4	280.0
86	BEL	NE Pennsylvania, PA	182.1	190.0	198.2	206.9	216.0	225.5	235.2	245.4	256.0	267.1	278.6
87	BEL	New Brunswick, NJ	182.1	190.0	198.2	206.9	216.0	225.5	235.2	245.4	256.0	267.1	278.6
88	PAC	Vallejo-Napa, CA	180.5	188.3	196.4	205.0	214.0	223.5	233.1	243.2	253.7	264.7	276.1
89	NYN	Worcester, MA	177.5	185.1	193.1	201.6	210.4	219.7	229.2	239.1	249.5	260.2	271.5
90	SBC	Wichita, KS	173.7	181.2	189.0	197.3	206.0	215.1	224.4	234.1	244.2	254.7	265.7
91	AIT	Fort Wayne, IN	172.8	180.2	188.0	196.2	204.9	213.9	223.2	232.8	242.8	253.3	264.3
92	BLS	Columbia, SC	172.6	180.1	187.9	196.1	204.7	213.8	223.0	232.6	242.7	253.2	264.1
93	BLS	Augusta, GA	164.1	171.2	178.6	186.4	194.6	203.2	212.0	221.1	230.7	240.6	251.0
94	BLS	Johnson City, TN	163.2	170.2	177.6	185.4	193.5	202.1	210.8	219.9	229.4	239.3	249.7
95	USW	Colorado Springs, CO	162.7	169.7	177.0	184.8	192.9	201.4	210.1	219.2	228.7	238.5	248.8
96	BEL	Lancaster, PA	161.8	168.8	176.1	183.8	191.9	200.4	209.0	218.1	227.5	237.3	247.6
97	AIT	Lansing, MI	160.7	167.7	174.9	182.6	190.6	199.0	207.6	216.6	226.0	235.7	245.9
98	AIT	Kalamazoo, MI	160.1	167.0	174.3	181.9	189.9	198.3	206.8	215.8	225.1	234.8	244.9
99	BLS	Chattanooga, TN	159.5	166.4	173.6	181.2	189.2	197.5	206.1	215.0	224.3	233.9	244.1
100	SBC	McAllen-Edinburgh, TX	159.1	165.9	173.2	180.7	188.7	197.0	205.5	214.4	223.6	233.3	243.4
101	BLS	Melbourne-Palm Bay, FL	158.9	165.7	172.9	180.5	188.4	196.7	205.2	214.1	223.3	233.0	243.0
102	BLS	Lakeland, FL	157.9	164.7	171.8	179.4	187.2	195.5	204.0	212.8	222.0	231.5	241.5
103	BLS	Daytona Beach, FL	157.4	164.2	171.3	178.8	186.6	194.9	203.3	212.1	221.2	230.8	240.8
104	BLS	Lexington-Fayette, KY	156.9	163.7	170.8	178.2	186.1	194.3	202.7	211.4	220.6	230.1	240.0
105	AIT	Flint, MI	156.7	163.4	170.5	177.9	185.8	194.0	202.4	211.1	220.2	229.7	239.7
106	PAC	Santa Rosa, CA	152.4	159.0	165.9	173.1	180.8	188.7	196.9	205.4	214.3	223.5	233.2
107	USW	Des Moines, IA	151.1	157.6	164.4	171.6	179.2	187.1	195.2	203.6	212.4	221.6	231.1
108	PAC	Modesto, CA	150.2	156.7	163.5	170.7	178.2	186.0	194.1	202.5	211.2	220.3	229.8
109	BLS	Jackson, MS	150.1	156.6	163.4	170.5	178.0	185.9	193.9	202.3	211.1	220.2	229.7
110	AIT	Canton, OH	146.3	152.6	159.2	166.2	173.5	181.1	188.9	197.1	205.6	214.5	223.8
111	USW	Spokane, WA	141.5	147.6	154.0	160.7	167.8	175.2	182.8	190.7	198.9	207.5	216.5
112	PAC	Santa Barbara, CA	140.6	146.7	153.1	159.7	166.8	174.1	181.7	189.5	197.7	206.2	215.1
113	AIT	Madison, WI	140.1	146.1	152.5	159.1	166.1	173.5	181.0	188.8	196.9	205.4	214.3
114	BLS	Shreveport, LA	137.4	143.3	149.6	156.1	163.0	170.2	177.5	185.2	193.2	201.5	210.2
115	PAC	Salinas-Monterey, CA	136.7	142.6	148.8	155.3	162.1	169.3	176.6	184.3	192.2	200.5	209.2
116	SBC	Beaumont, TX	135.1	141.0	147.1	153.5	160.2	167.3	174.6	182.1	190.0	198.2	206.7
117	BLS	Pensacola, FL	133.5	139.3	145.3	151.7	158.3	165.3	172.5	179.9	187.7	195.8	204.3
118	SBC	Corpus Christi, TX	133.4	139.1	145.2	151.5	158.2	165.2	172.3	179.7	187.5	195.6	204.0
119	BEL	York, PA	129.6	135.2	141.0	147.2	153.7	160.5	167.4	174.6	182.2	190.0	198.3
120	AIT	Davenport-Moline, IL	128.7	134.2	140.1	146.2	152.6	159.3	166.2	173.4	180.9	188.7	196.9
121	BEL	Reading, PA	127.2	132.7	138.5	144.5	150.9	157.5	164.3	171.4	178.8	186.6	194.6
122	PAC	Visalia-Porterville, CA	125.7	131.1	136.8	142.7	149.0	155.6	162.3	169.3	176.6	184.3	192.2
123	AIT	Peoria, IL	125.0	130.4	136.1	142.0	148.3	154.8	161.5	168.5	175.8	183.4	191.3
124	AIT	Rockford, IL	124.9	130.3	136.0	141.9	148.1	154.7	161.4	168.3	175.6	183.2	191.1
125	BEL	Trenton, NJ	121.2	126.4	131.9	137.6	143.7	150.1	156.5	163.3	170.3	177.7	185.4
126	BEL	Atlantic City, NJ	121.1	126.3	131.8	137.5	143.6	149.9	156.4	163.1	170.2	177.5	185.2



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## Top 150 MSA Local Revenue Market Opportunity (\$ in millions)

MSA Rank	ILEC	MSA Name	1995A	1996E	1997E	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E
127	AIT	Appleton, WI	120.1	125.3	130.7	136.4	142.4	148.7	155.1	161.8	168.8	176.1	183.7
128	BLS	Huntsville, AL	116.8	121.8	127.1	132.6	138.5	144.6	150.8	157.4	164.2	171.2	178.6
129	BEL	Huntington, WV	115.1	120.1	125.3	130.8	136.5	142.6	148.7	155.1	161.8	168.8	176.1
130	BLS	Montgomery, AL	112.8	117.7	122.8	128.2	133.8	139.7	145.8	152.1	158.6	165.5	172.6
131	AIT	Hamilton, OH	112.5	117.4	122.5	127.8	133.5	139.4	145.4	151.7	158.2	165.0	172.2
132	BLS	Macon, GA	110.8	115.6	120.6	125.9	131.4	137.2	143.2	149.4	155.8	162.5	169.6
133	USW	Salem, OR	110.4	115.2	120.2	125.4	130.9	136.7	142.6	148.8	155.2	161.9	168.9
134	USW	Eugene-Springfield, OR	109.0	113.7	118.6	123.8	129.3	135.0	140.8	146.9	153.2	159.9	166.8
135	BLS	Fayetteville, NC	104.4	108.8	113.6	118.5	123.7	129.2	134.8	140.6	146.7	153.0	159.6
136	AIT	Evansville, IN	104.0	108.5	113.2	118.2	123.4	128.8	134.4	140.2	146.2	152.5	159.1
137	BEL	Erie, PA	102.2	106.6	111.3	116.1	121.2	126.6	132.1	137.8	143.7	149.9	156.4
138	NYN	Binghamton, NY	96.2	100.4	104.7	109.3	114.1	119.2	124.3	129.7	135.3	141.1	147.2
139	BEL	Charleston, WV	92.8	96.8	101.0	105.5	110.1	115.0	119.9	125.1	130.5	136.1	142.0
140	AIT	South Bend, IN	92.7	96.7	100.9	105.3	110.0	114.8	119.8	125.0	130.4	136.0	141.9
141	BEL	Long Branch, NJ	91.1	95.0	99.1	103.4	108.0	112.8	117.6	122.7	128.0	133.5	139.3
142	GTE	San Juan, PR	91.1	95.0	99.1	103.4	108.0	112.8	117.6	122.7	128.0	133.5	139.3
143	AIT	Lorain-Elyria, OH	91.1	95.0	99.1	103.4	108.0	112.8	117.6	122.7	128.0	133.5	139.3
144	BEL	Johnstown, PA	86.9	90.6	94.5	98.7	103.0	107.6	112.2	117.1	122.1	127.4	132.9
145	USW	Duluth, MN	86.8	90.5	94.4	98.6	102.9	107.4	112.1	116.9	122.0	127.2	132.7
146	AIT	Saginaw-Midland, MI	72.8	76.0	79.3	82.7	86.4	90.2	94.1	98.2	102.4	106.8	111.4
147	NYN	Manchester-Nashua, NH	65.1	67.9	70.8	73.9	77.2	80.6	84.1	87.7	91.5	95.4	99.6
148	NYN	New Bedford, MA	64.9	67.7	70.6	73.7	76.9	80.3	83.8	87.4	91.2	95.1	99.2
149	NYN	Utica-Rome, NY	58.0	60.5	63.1	65.9	68.8	71.8	74.9	78.2	81.6	85.1	88.8
150	GTE	Ponce, PR	45.5	47.5	49.6	51.7	54.0	56.4	58.8	61.4	64.0	66.8	69.6

## Top 150 MSA Summary Data

Top 150 MSA Residential Local Market

Top 150 MSA Business Local Market

Top 150 MSA Local Telecom Service Market

23,964	24,996	26,081	27,221	28,417	29,673	30,955	32,292	33,687	35,142	36,660
35,946	37,494	39,122	40,831	42,626	44,510	46,433	48,438	50,530	52,713	54,990
59,909	62,490	65,203	68,052	71,044	74,183	77,388	80,730	84,217	87,855	91,649

## TCG's Addressable Market Opportunity

Number Of MSAs Served By TCG Fiber Networks

1st-Tier Bus. Market Addressable BY TCG Fiber

2nd &amp; 3rd-Tier Bus. Mkt. Addressable By TCG Fiber

MDU Residential Market Addressable By TCG Fiber

Incremental BizTel Bus/MDU Revenue Opportunity

Total TCG/BizTel Addressable Market Opportunity

TCG Penetration Of Addressable Market

48	55	62	69	76	83	90	97	105	105	105
10,033	10,904	11,966	12,987	14,016	15,074	16,130	17,210	18,331	19,123	19,949
15,049	16,355	17,948	19,481	21,025	22,611	24,195	25,815	27,496	28,684	29,923
251	273	299	325	350	377	403	430	458	478	499
10,613	9,963	8,909	8,038	7,235	6,448	5,705	4,982	4,245	4,428	4,619
35,946	37,494	39,122	40,831	42,626	44,510	46,433	48,438	50,530	52,713	54,990
0.5%	0.7%	1.1%	1.5%	2.2%	2.8%	3.6%	4.3%	5.1%	5.9%	6.6%



August 9, 1996

Teleport Communications Group

Companies Mentioned:

ACC Corp. (OTC-ACCC-\$63 1/4)  
AirTouch Communications, Inc. (NYSE-ATI-\$27 1/8)  
American Communications Services, Inc. (OTC#-ACNS-\$10 1/2)  
Ameritech (NYSE-AIT-\$55 7/8)  
AT&T Corp. (NYSE-T-\$55 1/4)  
Bell Atlantic (NYSE-BEL-\$59 3/4)  
Bell South (NYSE-BLS-\$39 3/4)  
British Telecom (NYSE-BTY-\$60 1/8)  
Brooks Fiber Properties (OTC#-BFPT-\$30 3/4)  
Cable & Wireless PLC (NYSE-CWP-\$18 3/4)  
Cox Communications, Inc. (NYSE-COX-\$19 3/4)  
Comcast Corporation (OTC-CMCSK-\$14 7/8)  
Frontier Corp. (NYSE-FRO-\$29 1/2)  
GST Telecommunications (ASE-GST-\$12 1/4)  
GTE (NYSE-GTE-\$42 1/4)  
IntelCom Group (ASE-ICG-\$21 3/4)<sup>1</sup>  
Intermedia Communications (OTC#-ICIX-\$28 3/4)  
LCI International (NYSE-LCI-\$32 1/8)  
MCI Communications (OTC#-MCIC-\$26 1/8)  
Merrill Lynch (NYSE-MER-\$64 1/8)  
MFS Communications (OTC#-MFST-\$33 1/8)<sup>2</sup>  
NYNEX (NYSE-NYN-\$45 7/8)  
Pacific Telesis (NYSE-PAC-\$34 1/4)  
PSI Net (OTC-PSIX-\$10)  
SBC Communications (NYSE-SBC-\$49 7/8)  
Shared Technologies Fairchild (OTC-STCH-\$6 1/8)  
Sprint (NYSE-FON-\$41 1/8)  
Tele-Communications, Inc. (OTC#-TCOMA-\$38 3/8)  
Time Warner (NYSE-TWX-\$35 7/8)  
US West (NYSE-USW-\$31)  
US West Media Group (NYSE-UMG-\$18 3/8)  
Viacom (ASE-VIA.B-\$35 3/8)  
WinStar Communications Inc. (OTC-WCII-\$19 5/8)  
WorldCom (OTC-WCOM-\$26 1/4)

1. Deutsche Morgan Grenfell/C. J. Lawrence Inc. co-managed the October 17, 1994 secondary offering of 6.9 million shares of IntelCom Group, Inc. common stock.
2. Deutsche Morgan Grenfell/C. J. Lawrence Inc. makes a market in the 8% convertible preferred shares of MFS Communications due May 31, 1999 (Ticker: MFSTP).

#Deutsche Morgan Grenfell/C. J. Lawrence Inc. makes a market in this security.

Stocks priced August 8, 1996.

For additional copies of this report, further information on the competitive local service industry, or information on any of the companies mentioned in this report, please feel free to contact either of the individuals listed below.

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August 9, 1996

Teleport Communications Group

Deutsche Morgan Grenfell  
C. J. Lawrence Inc.



Deutsche Morgan Grenfell   
10019-6118  
C. J. Lawrence Inc

31 W. 52nd Street• New York, NY

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Additional information available on request.

# **MFS COMMUNICATIONS**

## **GENERAL**

Company Map of Fiber Network

General Facts (Web page)

## **ADS**

MFS Proposal to Bobbe & Company

Advertisement: "Introducing MFS Intelenet - A True Alternative in Local and Long Distance Telecommunications Service."

## **WWW.MFS.COM**

MFS Intelenet - One Stop Service for Business (Web page)

Local Service

Examples of positions available

MFS Telecom (Web pages)

## **NEWS ARTICLES**

"MFS Now Offering Local Telephone Services Over Its Own Fiber Network in Detroit,"

*PR Newswire*, May 29, 1996.

"MFS Offers Local, Long-Distance Services Package," *Network World*.

"An Chronicled Success Story," *Forbes*, October 24, 1994

"Upstart Claims It's Like Ma Bell," *Crain's New York*, October 1993.

"Private Label Long Distance", *Financial World*, April 22, 1996.

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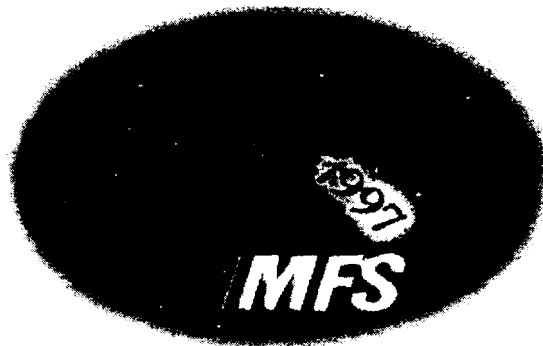
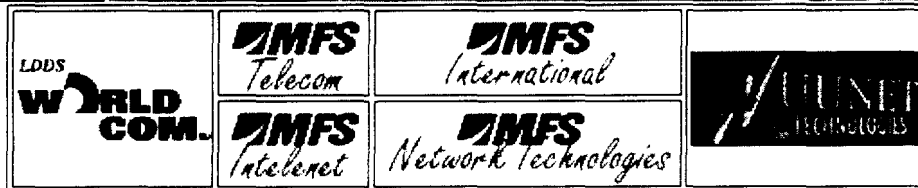
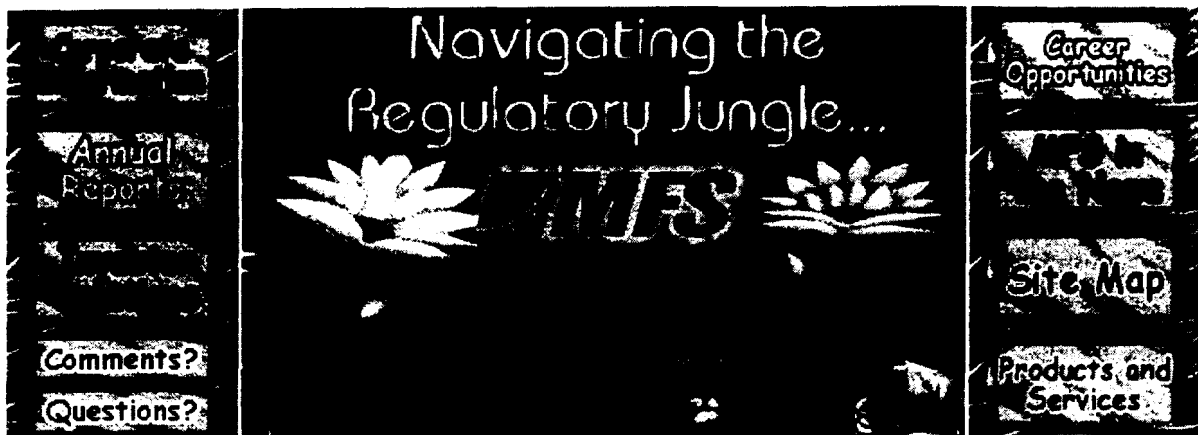
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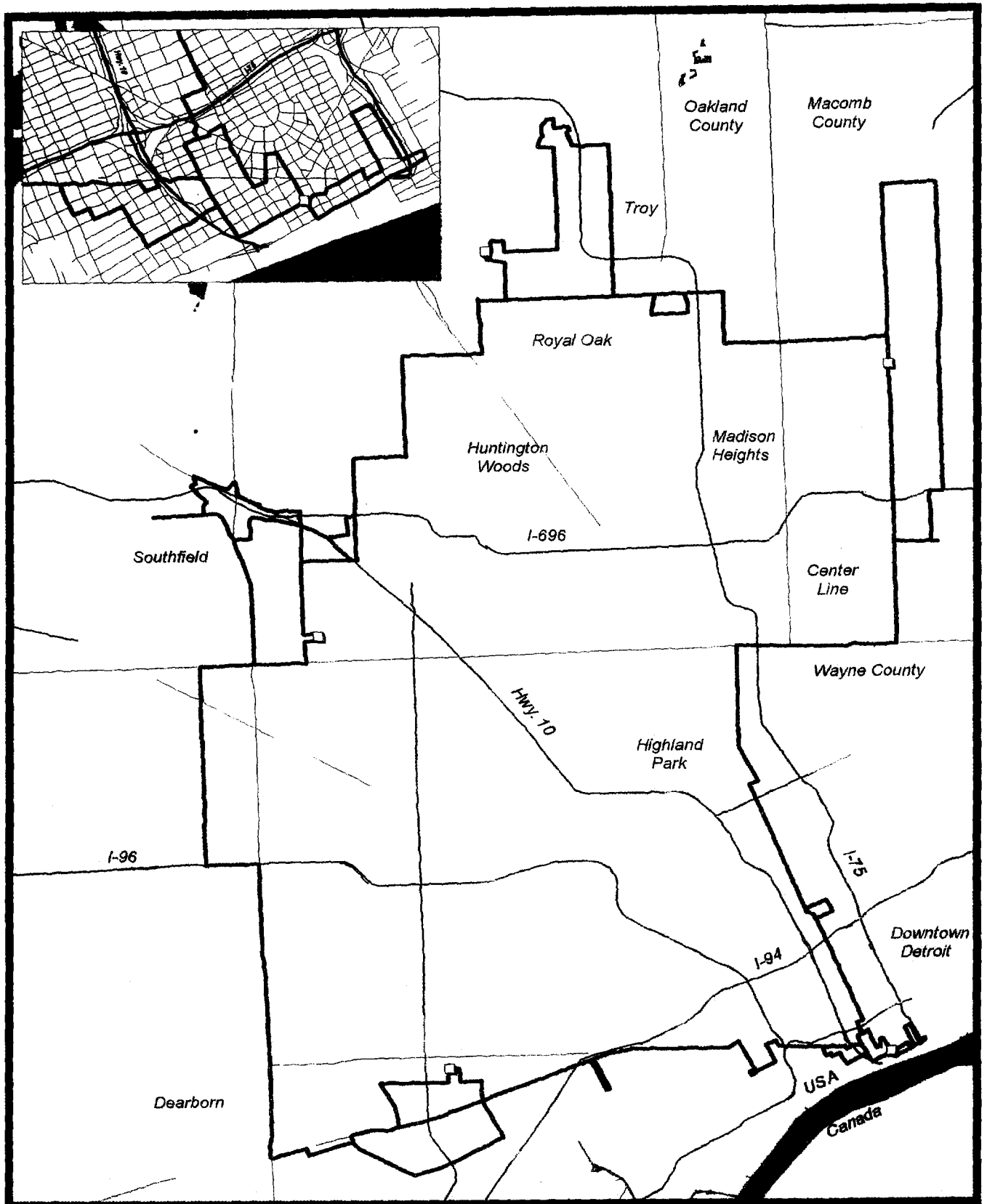
"Private Label Long Distance", *Financial World*, April 22, 1996.



## Shareholders Approve MFS/WorldCom Merger



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Last updated Friday, 27-Dec-96 09:36:44



└ MFS NODE LOCATION



# Greater Detroit Network

21500 Melrose Avenue  
Southfield, MI 48075  
810-208-6200



**GO!**

## **MFS Communications Company, Inc.**

**11808 Miracle Hills Drive**

**Omaha, NE 68154**

**(402)231-3000**

**[info@mfst.com](mailto:info@mfst.com)**

*MFS' common stock is traded on Nasdaq under the symbol MFST*

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### **Company Background**

MFS Communications Company, Inc. (MFS) is a leading provider of communication services for business and government. The Company provides one-stop shopping for integrated local and long distance services, as well as a wide range of high-quality voice, data and other enhanced services and systems specifically designed to meet the requirements of business and government customers.

UUNET Technologies, Inc., merged with MFS in August 1996 to create one of the world's premier business communications companies. The combined company is the only Internet Service Provider to own or control fiber optic local loop, intercity and undersea facilities in the United States as well as the United Kingdom, France and Germany. UUNET was founded in 1987 and continues to operate under the UUNET name. It was the first company to offer Internet service commercially and is recognized today as the world's largest Internet Service Provider. Most of UUNET's 22,000 customers require high-speed commercial-grade Internet connections to support their high volume and diverse services. The combination of MFS' international high-bandwidth network platform and UUNET's industry leadership as an ISP puts the Company in a strong position to benefit from the accelerating shift to Internet-based communications.

MFS' operating groups fall into three business segments: Telecommunications Services, encompassing MFS North America, MFS International and the Global Network Services Company; Internet Services, through UUNET Technologies; and Network Systems Integration Services, through MFS Network Technologies.

MFS became a public company in 1993. It's common stock is traded on the Nasdaq National Market under the symbol MFST. It's Internet address is [www.mfst.com](http://www.mfst.com).

**Note:** On August 26, 1996, MFS and WorldCom, Inc. announced a definitive agreement and plan of merger. The combined company will be known as MFS WorldCom, Inc. Following necessary regulatory and shareholder approvals, the merger is expected to be completed in four to eight months.

---

### **General Facts**

1995 Revenue: \$583.2 million

Sent out first bill in 1989 for \$1,000

Formed with just 20 employees in 1987, MFS now has nearly 5,000 employees in U.S. and Europe  
Services in operation or development in 52 metropolitan areas, including 45 U.S. MSAs and 7 international financial centers.

745 Internet Points of Presence (451 outside of the U.S.)

### **Network Data\***

3,677 route miles of fiber



250,082 fiber miles  
11,033 buildings connects  
5,008,909 circuits in service

\* As of September 30, 1996

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### Operating Companies

**MFS North America, Oakbrook Terrace, Illinois** - is structured to serve the needs of all sizes of business and government organizations. Through this operating company, MFS Telecom offers local private line, special access digital communications services, advanced high speed ATM-based data communications services, and a suite of switched services, all running over MFS' fiber optic networks in major metropolitan business centers throughout the United States. Through MFS Intelenet, the operating company also provides local and long distance service, equipment and equipment maintenance and a variety of enhanced services, including voice mail, calling card, 800/888 number services, customized billing and management reports and telemanagement services. This group currently has services being provided or in development in 46 metropolitan areas in North America. In addition to being a leading Competitive Access Provider (CAP), MFS North America provides customers with national and international services available at a price/performance that saves money, improves quality and provides greater security than the traditional alternatives.

**MFS International, Inc., Vienna, Virginia** - was created in part to take advantage of MFS' large multinational customer base. MFS International's subsidiary, MFS Communications Limited, was granted a national public telecommunications operator license in the United Kingdom in September 1993. The company has been providing telecommunications services to London-based business and government users since mid-1994. MFS International has metropolitan areas in operation or development in Frankfurt, Hong Kong, London, Mexico City, Paris, Stockholm, and Zurich. MFS International is also exploring other international development opportunities.

**Global Network Services Company, Westmont, Illinois** - manages MFS' international network platform. Encompassing more than 1,000 MFS employees, Global Network Services' primary function is to make sure MFS continues to offer unsurpassed network reliability and customer service. Global Network Services focuses on network operations, MFS engineering, provisioning and support systems, as well as future network requirements.

**UUNET Technologies, Inc., Fairfax, Virginia** - targets its services exclusively to the business market. The Company is a leading supplier of Internet access options, applications and consulting services to businesses, professionals and on-line service providers. UUNET's services include a wide range of network access options; turn-key World Wide Web server hosting and content development; front-end client and LAN software options; a line of security products; and network integration and consulting services.

**MFS Network Technologies, Inc., Omaha, Nebraska** - designs, develops and manages the installation of MFS' fiber optic networks and network expansions. MFS Network Technologies also provides development, design and engineering, project management, construction and support of networks and systems for third parties. The company is a nationally recognized leader in systems integration. MFS Network Technologies' systems integration services are marketed to the communications industry, toll operators and authorities, cable operators, government agencies and large corporations worldwide.

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### MFS Networks

MFS currently provides or is developing service -- in most cases on its own fiber optic network -- in a number of

major metropolitan areas. including the following locations:

**United States' MSAs**

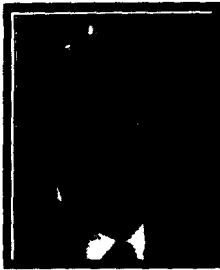
Albany, NY	Oakland, CA
Atlanta, GA	Omaha, NE*
Baltimore, MD	Orange County, CA
Boston, MA	Orlando, FL
Buffalo, NY	Philadelphia, PA
Chicago, IL	Phoenix, AZ
Cleveland, OH	Pittsburgh, PA
Dallas, TX	Portland, OR
Denver, CO	Richmond, VA
Detroit, MI	Rochester, NY
Hartford, CT	Sacramento, CA*
Houston, TX	St. Louis, MO
Indianapolis, IN	San Diego, CA
Jersey City, NJ	San Francisco, CA
Los Angeles, CA	San Jose, CA
Memphis, TN*	Seattle, WA
Miami, FL	Suburban Maryland (D.C.)
Middlesex-Somerset, NJ	Stamford - Norwalk, CT
Minneapolis, MN	Tampa, FL
Newark, NJ	Washington, DC
New Haven, CT*	Westchester County, NY
New York, NY	Wilmington, DE
N. Virginia (D.C.)	

**International  
Networks**

Frankfurt, Germany
Hong Kong*
London, UK
Mexico City, Mexico*
Milan, Italy*
Paris, France
Stockholm, Sweden
Zurich, Switzerland*

*\*Non-facilities-based services.*

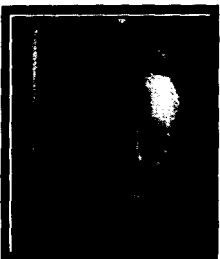
**Management**



**James Q. Crowe**

**Chairman and Chief Executive Officer  
MFS Communications Company, Inc.**

Mr. Crowe has been the senior executive officer of the company since its inception. He is Chairman of the Board and the company's Chief Executive Officer. Mr. Crowe has also served as President and Vice President of Kiewit Industrial Co., which is involved in large industrial construction projects, such as independent power projects, cogeneration facilities, and until 1988, telecommunications projects. Prior to joining Peter Kiewit Sons', Inc. (PKS), Mr. Crowe was employed by Morrison-Knudsen Corporation, a major construction and engineering company based in Boise, Idaho, where he held the position of Group Vice President with responsibility for the electric power market. Mr. Crowe is a Director of PKS, Kiewit Diversified Group (KDG), a wholly owned subsidiary of PKS, California Energy Company, Inc., a geothermal energy producer partially owned by PKS, and RCN Corporation, a wholly owned subsidiary of KDG and SCOLA (Satellite Communications for Learning Associated).



**John W. Sidgmore**

**President and Chief Operating Officer  
MFS Communications Company, Inc.**

Mr. Sidgmore is President and Chief Operating Officer of the company and serves as Chief Executive Officer of UUNET Technologies. Mr. Sidgmore had been President and Chief Executive Officer of UUNET since 1994. Prior to this he was President and Chief Executive Officer of CSC Intelicom since 1989. For fourteen years previous to his association with Intelicom, Mr. Sidgmore was with General Electric Information Services, most recently as Vice President and General Manager of GEIS North America. Mr. Sidgmore received his BA in Economics from the State University of New York.

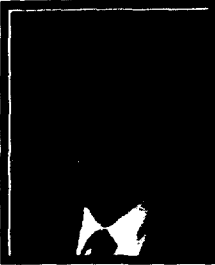


**R. Douglas Bradbury**

**Executive Vice President and Chief Financial Officer  
MFS Communications Company, Inc.**

Mr. Bradbury is Executive Vice President and Chief Financial Officer of the company. Formerly, Mr. Bradbury was Senior Vice President-Corporate Affairs for MFS Telecom. Before joining the company, he was Executive Vice President and Chief Operating Officer at American Pioneer Telephone, Inc., a regional long distance carrier based in Orlando, Florida, and a Vice President of Manufacturers Hanover Trust Company in New York City and Milan.

Italy.



**Royce J. Holland**

**Vice Chairman**

**MFS Communications Company, Inc.**

Mr. Holland is a Director and Vice Chairman of the company. Before joining the company, Mr. Holland held various management positions with Energy Factors, Inc., an independent power company based in San Diego, California and Morrison-Knudsen Corporation. Mr. Holland is a Director of KDG. In January 1993, President George Bush appointed Mr. Holland to the National Security Telecommunications Advisory Committee.



**Ronald R. Beaumont**

**President and Chief Executive Officer**

**MFS North America**

Mr. Beaumont is President and Chief Executive Officer of MFS North America. Previously he was President and Chief Executive Officer of MFS Telecom. He joined MFS Telecom as Senior Vice President of Operations and Engineering and had general management responsibilities over MFS Telecom's Southern Division, comprising seven metropolitan area networks. Before joining MFS Telecom, Mr. Beaumont was Executive Vice President of a Washington DC based CAP prior to its acquisition by MFS Telecom.



**Kevin P. Moersch**

**President and Chief Executive Officer**

**MFS Network Technologies, Inc.**

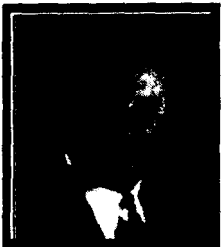
Mr. Moersch is President and Chief Executive Officer of MFS Network Technologies. Before joining MFS Network Technologies, he was Vice President of Core-Mark International, Inc., a Canadian distribution holding company, and Chief Executive Officer of ASI Telesystems, Inc. and other Core-Mark subsidiaries. He joined MFS in 1991, when MFS Network Technologies became an MFS Operating Company.



**Kevin J. O'Hara**

**President and Chief Executive Officer  
Global Network Services Company**

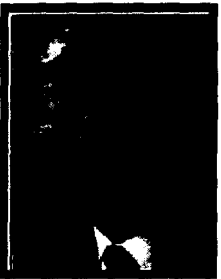
Mr. O'Hara is President and Chief Executive Officer of Global Network Services Company. He joined MFS in 1990 and has held positions of President, MFS Development and Vice President, Strategic Development, Network Services and Engineering/Construction. Mr. O'Hara received his bachelor's degree in electrical engineering from Drexel University. He came to MFS from Peter Kiewit Sons', Inc.



**Kirby G. Pickle**

**President and Chief Operating Officer  
UUNET Technologies, Inc.**

Mr. Pickle is President and Chief Operating Officer of UUNET Technologies, Inc. Previously, he was President and Chief Executive Officer of MFS Intelenet and Senior Vice President of Sales and Marketing of MFS Telecom, and had general management responsibilities over MFS Telecom's Northern Division, comprising six metropolitan area networks. Prior to joining MFS Telecom in 1991, he was Vice President of Marketing/Business Development for Sprint Corporation.



**Colin V. K. Williams**

**President and Chief Executive Officer  
MFS International, Inc.**

Mr. Williams is President and Chief Executive Officer of MFS International, Inc. From October 1988 to June 1992, Mr. Williams was a Corporate Director of British Telecom responsible for international business development. Mr. Williams held various other positions at British Telecom from 1982 to 1992, when he joined MFS.

---

## **MFS...Leading the Way**

MFS Communications Company, Inc., is a leading provider of communications services for business and government. To maintain and strengthen our leadership position in this growing field, we are seeking highly motivated professionals who:

Possess strong entrepreneurial instincts  
Thrive in a rapidly changing, dynamic work environment  
Are passionate about customer service  
Believe that trust is an asset  
Value teamwork and a spirit of cooperation  
Creatively self-manage solutions

We believe these attributes capture what sets MFS apart from our competitors. These values, or principles, dictate how we treat our customers and each other.

While we are a young company (founded in 1987), MFS is well positioned for the marketplace opportunities of today as well as the next millennium.

We are building our "people" policies and corporate culture around three fundamental principles:

**Speed** -- a strong sense of urgency is critical for success

**Flexibility** -- recognizing that a "one size fits all" approach doesn't make sense for today's workforce

**Diversity** -- we value the talents and life experience of each person worldwide

### Expectations

To stay competitive in today's fast-paced marketplace, MFS expects a lot from our employees. In return, we reward employees' strong performance by linking compensation, whenever possible, to company performance. This "success-based" compensation means that, in addition to base salary, employees are eligible for short-term incentives, like bonus or commission, and long-term incentives, like our unique company stock plans, that allow for individual wealth accumulation.

Sharing responsibility, sharing ownership, sharing hard work and the success that comes from it. As owners of MFS stock, we believe that our employees are motivated to outperform and outcompete the nonowners of our competitors.

MFS also offers an excellent, flexible benefits package that offers value and personal choice.

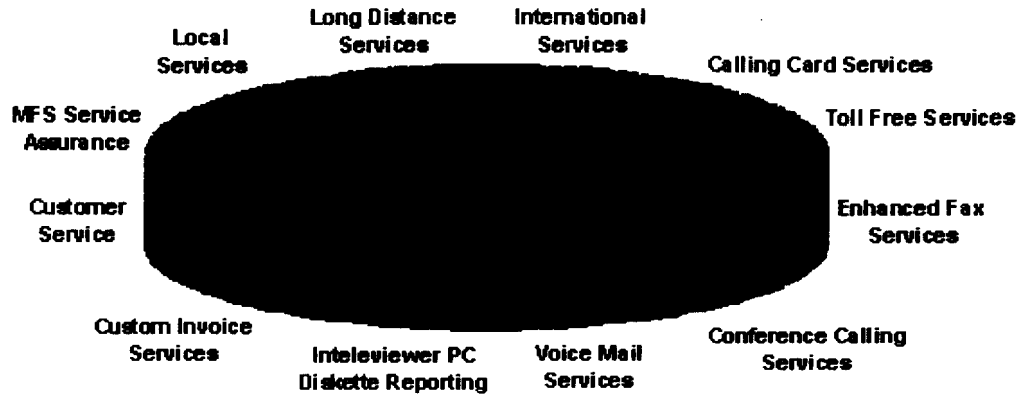
### Opportunities

We are growing rapidly throughout the world, so we have an insatiable thirst for talented people. With our corporate team plus six operating companies, there are ample career opportunities within the MFS organization.



# MFS Intelenet

The One-Stop Solution for Business Communications



**MFS Intelenet** is one of the nation's leading full service, facilities-based communications company providing *one stop solutions* for business customers. We are your single source for local and long distance telephone service, as well as a host of other services designed to help you manage costs, improve productivity and work smarter.

## MFS Makes It Easy To Understand...

**One Company** handles all your communications needs, from local,\* intraLATA\* and long distance to international, calling cards, toll free service, voice mail, fax services, and conference calling.

**Flat Rate Pricing**, regardless of where you call, applies to both inbound and outbound traffic.

**One Monthly Invoice** captures all your telecommunications activity in easy-to-read management reports. MFS' new diskette billing system, Intelviewer, helps you gain even more control.

## ...And Easy To Enjoy The Benefits

**Extra Savings** for term agreements and higher total spending commitments.

**No Limits** so you can combine all your MFS usage -- local, long distance, toll free, & calling cards -- and all your locations to reach your higher volume.

**Reliable Quality** on MFS' global fiber optic network platform, monitored 24-hours a day by four strategically located Network Operations Control Centers.

**Unparalleled Service** from an organization that specializes in the unique needs of business customers.

<u>Local Services</u>	<u>Conference Calling Services</u>
<u>Long Distance Services</u>	<u>Voice Mail Services</u>
<u>International Services</u>	<u>Intelviewer PC Diskette Reporting</u>
<u>Calling Card Services</u>	<u>Custom Invoice Services</u>
<u>Toll Free Services</u>	<u>Customer Service</u>
<u>Enhanced Fax Services</u>	<u>MFS Service Assurance</u>



Intelenet Companies

*One Company. Many Solutions.*

Contact your MFS Intelenet Sales Representative at 1-800-714-9000

Or email for more information.

*Please specify the product when emailing for information*

MFS Intelenet Employment Opportunities

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**Annual  
Reports**

**Corporate  
Information**

**Investor  
Relations**

**Products and  
Services**

**MFS in  
the News**

**Site Map**







## Local Service\*

Consolidated Invoice Integrates All Your MFS Services  
Dozens Of Enhanced Features  
Lines Available For Key Systems and PBXs  
Number Portability allows you to keep all your current telephone numbers  
Competitive Rates

### Should You Be Able To Choose Your Local Telephone Service?

For the first time in history, you can, or will soon be able to, choose your own local service provider just as you do your long distance carrier. At the forefront of this revolution is MFS, one of the first nationwide, facilities-based companies to offer a complete range of communications services. Not only does your business benefit from competition with MFS' low rates, but our international fiber optic network and state-of-the-art switching technology give you the highest quality call connection, whether you're calling next door or around the world.

### A Choice of Solutions

MFS continues to establish new full-service locations throughout the country. Now your company can leverage enhanced features that used to be available only to Fortune 500 companies. A partial list includes:

**Call Waiting** notifies you of an incoming call while you're on an existing call and allows you to alternate between the two calls.

**Call Hold** let you place an existing call on hold, then place another call or answer a waiting call.

**Call Transfer** allows you to transfer an incoming call to another number.

**Call Forward & Blocking** enables you to send incoming calls to another line or block them, according to location, time of day or day of week.

**Speed Calling** enables users to dial frequently called numbers easily, using a fast one or two digit code.

**DID/DOD** stands for Direct Inward Dialing/Direct Outward Dialing and it allows outside callers to call any number within a company's system for a direct connections. It also allows you to transfer calls from any number within your system to an outside number.

### Consolidated Statement

With MFS' full service, your local, long distance, toll free, calling cards, and voice mail usage all appears on one customized monthly invoice. Select from more than 20 possible management reports to help you review your calling patterns and allocate expenses.

### It's Your Choice

With its focus on business customers, MFS delivers a level of service unavailable from traditional telephone companies. Choose MFS' local calling service and experience the flexibility and price savings that are yours in this new era of choice.

\*Local services are not available in all areas. Features may vary by market.



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